

Message Text

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ACTION AID-59

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FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 1762

INFO AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY BRIDGETOWN

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E.O. 11652: N/A

TAGS: EAID, GW, XL

SUBJECT: PROPOSED FEDERAL REPUBLIC OF GERMANY
(FRG) LOAN TO CARIBBEAN DEVELOPMENT BANK (CDB)

REF: STATE 72401

1. EMBOFF DISCUSSED THE SUBJECT LOAN WITH LANG OF THE GERMAN AID MINISTRY. THE AID MINISTRY HAS RESPONSIBILITY FOR THE PREPARATION OF LOAN PAPERS, THEIR CLEARANCE WITHIN THE FRG AND DECISIONS ON ALL MAJOR POLICY ISSUES. THE KREDITANSTALT FUR WEIDERAUFBAU (KFW) IS ONLY AN IMPLEMENTING AGENT OF THE AID MINISTRY.

2. LANG PROVIDED LITTLE OPTIMISM THAT THE FRG WOULD CHANGE ITS POSITION ON EITHER THE TERMS OR THE SIZE OF THE PROPOSED LOAN. ON THE QUESTION OF TERMS HE SAID THAT THESE CONDITIONS WERE STANDARD GERMAN AID CONDITIONS AND THAT CHANGING THEM IN THIS CASE WOULD SET AN UNDESIRABLE PRECEDENT. HE NOTED THAT OTHER MINISTRIES WOULD OBJECT TO CHANGES

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ON THE SAME GROUNDS.

3. LANG SAID THAT THE SIZE OF THIS LOAN HAD CREATED CONSIDERABLE CONTROVERSARY WITHIN THE FRG. HE SAID THE FINANCE MINISTRY THOUGHT IT WAS FAR TOO BIG GIVEN THE SMALL POPULATION WHICH WOULD BENEFIT FROM THE LOAN AND IT FOUGHT THE LOAN EVERY STEP OF THE WAY. HE SAID THAT THE AID MINISTRY ITSELF ALSO HAD MISGIVINGS ABOUT THE SIZE SINCE IT FELT ITS DEVELOPMENT IMPACT WOULD BE MINIMAL AND THE CARIBBEAN WAS NOT A MAJOR TARGET OF GERMAN DEVELOPMENT ASSISTANCE. HE NOTED THAT THE AID MINISTRY HAD ORIGINALLY PROPOSED A LOAN OF ONLY DM5 MILLION BUT THAT THE ECONOMICS MINISTRY, UNDER WHOSE COMPETENCE CAPITAL ASSISTANCE FELL AT THE TIME THE LOAN WAS FIRST BEING CONSIDERED, HAD PRESSED FOR A LOAN OF THE EQUIVALENT OF \$5 MILLION. THE ECONOMICS MINISTRY ARGUED THAT SIR ARTHUR LEWIS HAD STATED THAT IF THE FRG PROVIDED A LOAN OF \$5 MILLION IT WOULD HAVE ACCESS TO PROCUREMENT UNDER THE SDF AND THE ECONOMICS MINISTRY WAS ANXIOUS TO ASSIST GERMAN EXPORTERS.

4. GIVEN ALL THESE CONSIDERATIONS LANG SAID THAT IT WAS VERY DOUBTFUL THAT THIS LOAN COULD BE CONSIDERED AS A FIRST INSTALLMENT OF A LONG TERM COMMITMENT. HE DID NOT RULE OUT THE POSSIBILITY OF A FUTURE LOAN BUT HE DID NOT PLACE A HIGH PROBABILITY ON IT.

5. LANG SAID THAT HE DID NOT SEE MUCH LIKELIHOOD THAT GERMAN ACCESS TO THE SDF WOULD RESULT IN A SIGNIFICANT AMOUNT OF PROCUREMENT BEING MADE IN THE FRG. HE CITED THE CLOSE TIES OF THE CARIBBEAN REGION WITH THE US, UK AND CANADA AND ARGUED THAT THE PROCUREMENT FROM THE LOAN WOULD PROBABLY FOLLOW TRADITIONAL COMMERCIAL PATTERNS. HE STATED ALSO THAT THE BANK WOULD PROBABLY ENSURE THAT TOTAL FRG PROCUREMENT FROM SDF FUNDS WOULD NOT EXCEED THE LEVEL OF THE GERMAN LOAN.

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